

VZCZCXYZ0009
PP RUEHWEB

DE RUEHLI #3195/01 3541608
ZNR UUUUU ZZH
P 201608Z DEC 07
FM AMEMBASSY LISBON
TO RUEHC/SECSTATE WASHDC PRIORITY 6523
INFO RUEHC/DEPT OF LABOR WASHDC

UNCLAS LISBON 003195

SIPDIS

SIPDIS

Labor for Brumfield

E.O. 12958: NA
TAGS: [ELAB](#) [SMIG](#) [PO](#)
SUBJECT: Portugal Labor Market Stagnates, Unemployment Soars

¶1. (U) Summary: Portuguese labor union and employers' organizations agree that three main considerations affected Portugal's labor markets: immigration, labor laws, and training/education opportunities. Labor union representatives stress that the Portuguese government's push towards "flexicurity" is at the center of current labor concerns and poses a threat for the future well-being of workers. That this is true even though the Socialist Party is currently in power makes organized labor feel politically isolated. The employers' association countered that the current regulations left employers ham-strung and unable to adapt to the demands of globalization. End summary.

¶2. Over the last several years, Portugal has faced a large spike in unemployment (from 4.1 to 8.5 percent in six years according to Eurostat figures) and has struggled to keep up with other EU member States. Portuguese labor union and employers' organizations agree that three main considerations affect Portugal's labor markets: immigration, labor laws, and training/education opportunities.

Immigration

¶3. (U) In response to questions about the makeup of the Portuguese workforce, General Worker's Union (UGT) Director Secretary General Joao Proenca said that immigrants played an increasing role and now accounted for roughly 10 percent of Portugal's active workforce. He viewed the trend as positive overall, both for the immigrants and for the Portuguese who had already moved away from the domestic service and construction industries. Portuguese Industry Confederation (CIP) President Francisco Van Zeller mentioned that Portugal's immigrant community tended to be fairly well educated and able to integrate quickly. Van Zeller noted that CIP was pressing the Portuguese government to consider adding temporary or seasonal visas to allow for the growing demand for immigrant labor. He predicted that immigrant labor would become increasingly important given Portugal's low birth rate.

Labor Laws

¶4. (U) The General Confederation of Portuguese Workers (CGTP) National Council Director Armando Farias stressed that Portuguese workers faced worse conditions, higher unemployment, and greater instability than in recent history. Farias offered the unemployment rate, currently 8.5 percent, up from 4 percent in 2001, as an example. He said the pressure was to maintain low wages, but that Portugal could not win a "rush to the bottom." He proposed increased government investment in public infrastructure and an attempt to establish a national solution to problems rather than an EU-wide approach.

¶5. (U) Proenca agreed that the labor laws needed adjustment, but suggested that a realistic approach to reduce the informal economy was the place to begin. He stated that roughly 20 to 30 percent of Portugal's workforce do not pay taxes and avoid government

institutions. Given the lack of transparency in the informal sector, Proenca claimed that workers' rights were undermined by the clandestine labor force.

¶16. (U) Van Zeller said that employees think the labor laws were not flexible enough to allow Portuguese companies to be competitive in the global market. Praising "flexicurity," the Portuguese policy to make labor laws more adaptable, Van Zeller proposed adaptations to allow flexible work scheduling, geographic placement, and more liberal termination terms. He commented that the Portuguese economy was made up of Small and Medium Enterprises (SMEs) and could best legislate by sector rather than using the same rules across the economy. He conceded, however, that if the labor laws allowed too much flexibility then the small enterprises might band together and set the terms, locking the labor unions out of negotiations.

Training/Education

¶17. (U) Van Zeller asserted that corporate training usually tried to reach everyone and therefore failed to reward excellence and improve competitively. Another barrier to training was that SMEs could not afford to have their workforce in training for long periods of time the way larger companies could. He judged that Portugal had fallen about 10 years behind other EU nations and said even some new EU members enjoyed a better trained workforce.

¶18. (U) UGT's Proenca expressed the most concern about the lack of training among Portugal's workforce. He stated that the average Portuguese worker was trained on the job rather than in the classroom. Although the on-the-job training offered usable skills, it was more difficult for workers to transfer without more formal education. The European Union agreed to fund a technical training program for Portugal since the vocational skill set of Portuguese workers was, on average, 75 percent lower than the rest of the EU, according to Proenca. CGTP acknowledged that the gap between Portugal and other EU nations was worrying, but stressed that the labor law was the most pressing concern.

Aging Workforce

¶19. (U) Both UGT and CIP officials raised concerns about Portugal's aging workforce. CIP's Van Zeller said it was important to keep older workers in the workforce and suggested an increase in the retirement age from the current 62 to 65. He also discussed social security reform and noted that the current system would collapse within a decade if not adjusted. Portugal has one of the lowest birth rates in Europe, according to Van Zeller, and immigration was not enough to compensate. Both Proenca and Van Zeller stressed that the current system was not sustainable, and confirmed the need for additional reforms.

Agree to Disagree

¶10. (SBU) Comment: Although each of the three groups hoped for improvements in the current labor outlook, and agreed on the importance of the immigrant presence, they remained in conflict on other issues. "Flexicurity" was a particularly sensitive issue for the interlocutors and they did not agree on what the plan aimed to accomplish or even how the process would work. Portugal is unlikely to face the kind of turmoil that France faces over labor issues, but is similarly divided on the best way forward given current demands on the budget and the isolation of organized labor as a political force.

STEPHENSON